

Message Text

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44

ACTION NEA-13

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 AGR-20 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

IO-14 DRC-01 /189 W

----- 053702

R 040915Z FEB 74

FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC 5001

INFO AMEMBASSY AMMAN

AMEMBASSY TEL AVIV

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E.O. 11652:

TAGS: ECON, PINT, JO, IS

SUBJ: ARAB REACTIONS TO FOOD PRICE INCREASES

REF: TEL AVIV 498 (NOTAL)

SUMMARY. GOI CUTS IN SUBSIDIES FOR BASIC FOODSTUFFS AND RESULTANT PRICE INCREASES HAVE HIT EAST JERUSALEM AND WEST BANK ARABS EXTREMELY HARD. PRICE RISES OF 30 TO 70 PERCENT ON ITEMS SUCH AS FLOUR, SUGAR, RICE, COOKING OIL HAVE PROVOKED PROTESTS THROUGHOUT WEST BANK. VOLUNTARY AGENCIES ARE RE-EVALUATING BUDGETS IN ATTEMPT TO COPE WITH NEW UNEXPECTED OPERATING EXPENSES. END SUMMARY.

1. GOI CUT IN SUBSIDIES FOR BASIC FOODSTUFFS AND RESULTANT 30 TO 70 PERCENT RISE IN PRICES OF MANY STAPLE ITEMS HAS HIT EAST JERUSALEM AND WEST BANK ARABS ESPECIALLY HARD. THEY ARE DISMAYED

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AT SUBSTANTIAL INCREASES IN SUCH ITEMS AS SUGAR (FROM

IL 1.14 TO IL 2.00 PER KILO), HDLOUR (IL 0.66 TO IL 1.25 PER KILO), RICE (IL 3.00 TO 3.90 PER KILO), AND COOKING OIL (IL 0.71 TO IL 1.05 PER 580 GRAMS), ALL OF WHICH CONSTITUTE MAJOR ITEMS IN ARAB DIET. IMPACT OF INCREASES GREATER AMONG ARABS THAN ISRAELIS ALSO BECAUSE OF FORMER'S GENERALLY LOWER INCOME LEVEL AND LARGER SIZE OF AVERAGE ARAB FAMILY. MOREOVER, MOST ARABS WILL NOT BE COMPENSATED UNDER NATIONAL INSURANCE SCHEME OF LARGER PAYMENT WFOR LOAJINCOME AND LARGE FAMILIES THAT HELP EASE BURDEN FOR THOSE LEAST ABLE TO BEAR IT. COST OF LIVING SUPPLEMENT PAYABLE TO GOJ AMEFJ EMPLOYEES WAS RECOMMENDED TO PRIVATE EMPLOYERS ALSO LIKELY TO BENEFIT ONLY SMALL PERCENTAGE OF ARAB WORKERS. IN ADDITION, INCREASED COSTS STRIKES ARABS AT TIME WHEN RESOURCES OF MANY LOWER THAN FOR SOME TIME PAST, DUE TO FACT THAT SOME WHO WORKED IN ISRAEL (ESPECIALLY IN CONSTRUCTION INDUSTRY) STILL HAVE NO JOBS TO RETURN ZB AND MOST HAVE NOW USED UP PRE-WAR SAVINGS.

2. PRICE RISES HAVE SET OFF PROTESTS IN EAST JERUSALEM AND THROUGHOUT WEST BANK. MUNICIPAL COUNCILS AND CHAMBERS OF COMMERCE HAVE SENT NUMEROUMTELEGRAMS OF PROTEST TO MILITARY GOVERNOR AND OTHER GOI OFFICIALS. IN A STATEMENT INDICATIVE OF AROUSED FEELING OF WEST BANKERS HEBRON MUNICIPAL COUNCIL AND CHAMBER OF COMMERCE CLAIMED THAT WHILE PRICES OF BASIC FOODSTUFFS HAVE GONE UP BY 300 PERCENT IN LAST TWO YEARS, INDIVIDUAL INCOMES HAVE INCREASED BY ONLY 75 PERCENT. STATEMENT WENT ON TO SAY THAT PRESENT STATE OF AFFAIRS ENCOURAGES CRIMES AGAINST PUBLIC SECURITY. EAST JERUSALEM CHAMBER OF COMMERCE PROTEST TO COMMERCE MINISTER POIINTED OUT DIFFERENCES BETWEEN INCOMES OF ISRAELIS AND EAST JERUSALEMITES. ARAB CHAMBERS OF COMMERCE ON WEST BANK ALSO IFGUED JOINT APPEAL TO ARAB MERCHANTS TO REFRAIN FROM UNJUSTIFIED PRICE INCREASES, WHILE EAST JERUSALEM BAKERIES CLAIM THEY CANNOT AFFORT TO CONTINUE OPERATING WITH THEIR INCREASED COSTS.

3. VOLUNTARY AGENCIES ON WEST BANK HAVE BEEN FORCED TO RE-EVALUATE BUDGETS IN LIGHAFLG UNEXPECTED NEW PRICES. WEST BANK DIRECTOR OF LUTHERAN WORLD FEDERATION TOLD CONGEN OFFICER THAT HE NOW ANTICIPATES 1974 BUDGET DEFICIT AND HAS ASKED HEAD-QUARTERS IN GENEVA FOR SUPPLEMENTAL FUNDS. WITH DECLINE IN DONATIONS FROM US AND EUROPE AND PRIORITY LWF IS GIVING TO LIMITED OFFICIAL USE

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PROGRAMS IN ETHIOPIA AND INDIA, WEST BANK OPERATION MAY NOT RECEIVE EXTRA MONEY TO MEET INCREASED COSTS. RESULT WOULD PROBABLY BE STAFF AND PROGRAM CUTS.

4. COMMENT: WHILE WEST BANKERS WILL NO DOUBT ADAPT WITH TYPICAL RESILIENCE TO NEW COST OF LIVING, CUTBACKS IN CONSUMPTION AND GENERAL LOWERING OF LIVING STANDARD WILL BE I NEVITABLE, AND WE HAVE BEGUN HEAR REPORTS OF REAL HARDSHIP. GENERAL

RESENTMENT AGAINST GOI ECONOMIC POLICY HAS GROWN NOTICEABLY
AND WILL ENDURE, EXPECIALLY FEELING THAT BURDEN ON ARABS FROM
INCREASED COSTS IS NOT ONLY PROPORTIONATELY GREATER BUT
PARTICULARLY UNFAIR, SINCE PRICE INCREASES ARE SEEN AS PART OF
ISREALI "WAP EFFORT"
AGAINST ARABS.
DAY

NOTE BY OC/T: TEXT AS RECEIVED. SERVICE ON REQUEST.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, AGRICULTURAL PRICE SUPPORTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JERUSA00210
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JERUSALEM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740258/aaaacoo.tel
Line Count: 123
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TEL AVIV 498 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUN 2002 by kelleyw0>; APPROVED <26 JUN 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARAB REACTIONS TO FOOD PRICE INCREASES
TAGS: ECON, PINT, JO, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005